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SUBJECT: EGYPT'S ECONOMY: November 9 PRESS ROUND-UP

¶1. (U) The following are notable economic news stories that appeared over the past week in the Egyptian press:

The Central Bank Ends Interest Rate Cuts

¶2. (U) The Monetary Policy Committee of the Central Bank of Egypt decided during its November meeting to keep interest rates unchanged following six consecutive cuts earlier this year. The committee based its decision on rising inflation, a trend which is expected to continue due to rising demand for food with the upcoming Eid al-Adha feast. (Al Mal, Al Alam Al Youm, 11/8/2009).

GOE to Propose Third Fiscal Stimulus Package

¶3. (U) The Government of Egypt will propose a new draft bill for a third fiscal stimulus package that will amount to LE10 billion (US\$1.85 billion) to finance water and wastewater projects. This new outlay is in addition to an original LE15 billion (US\$2.74 billion) stimulus package passed in FY 2008/09, and a second stimulus bill in the FY 2009/10 budget to finance infrastructure projects, which amounted to LE8 billion (US\$1.48 billion) (Al Ahram, 11/5/2009).

Egypt and China Pledge Expanded Economic Cooperation

¶4. (U) A bilateral Egyptian-Chinese summit occurred amid a wider China-Africa economic summit being held in Sharm al-Sheikh. The bilateral summit included discussions on Chinese projects in the Gulf of Suez and increasing the trade volume between Egypt and China, which currently exceeds US\$6 billion annually. Prime Minister Ahmed Nazif signed four cooperation agreements between the two countries in the areas of investment, customs, trade and culture. In an earlier meeting, Minister of Investment Mahmoud Mohieddin discussed developing the special Economic Zone in northwest Gulf of Suez with the head of the China Development Bank in Egypt (Al Ahram, Al Akhbar, Al Masry Al Youm, 11/5/2009, 11/8/2009).

Foreign Currency Deposits Decrease

¶5. (U) The Central Bank of Egypt (CBE) reported LE884 million (US\$163.7 million) in foreign currency deposits in August, a 0.5% decrease from July. The Al-Mal newspaper attributed lower foreign deposits to the declining value of the US Dollar and decreased exports (Al Mal, 11/5/2009).

Suez Canal Receipts Increase 4.2%

¶6. (U) According to the Suez Canal Authority, Suez Canal revenues

increased by 4.2% during the month of October reaching US\$399 million, up from US\$382 million in September. Despite the recent increase, overall receipts are still down by 7.2% since the start of the global financial crisis in September 2008, the Suez Canal Authority reports (Al Mal, Al Alam Al Youm, Al Shorouk 11/5/2009, 11/8/2009).

GOE Will Not Raise Industrial Energy Prices Until 2011

17. (U) Minister of Trade and Industry Rachid Mohamed Rachid said the government would not raise energy prices on the industrial sector until 2011. In 2008, the GOE detailed a plan to gradually raise energy prices on industry, but has now put the plan on hold. The World Bank recently called on Egypt to increase its energy prices to bring them closer to international standards, but Rachid argued that raising prices on producers would be an undue burden during the economic crisis (Al Masry Al Youm, 11/8/2009).

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